

Internal Revenue Service

P.O. Box 2508

Cincinnati, OH 45201

Department of the Treasury

Release Number: **201710039**

Release Date: 3/10/2017

Date: December 12, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

T= scholarship name

U= school district

V= high school

W= city/state

X= principal

Y= trust officer

Z= individual

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called T.

The purpose of T is to enable young men and/or women who have attended U, or its successor, to obtain undergraduate or graduate college education.

The dollar amount of each scholarship award will vary depending on your income during the year and the required distribution amount per IRS Regulations. You will award two scholarships per year.

The availability of scholarships will be made known to the guidance counselor at V, or its successor. Additionally, available scholarships are listed on V website.

Scholarship recipients must be a resident of W, a graduate or future graduate of U, or its successor and pursuing undergraduate or graduate college education.

Scholarship applicants will be evaluated based on the following:

- The ability of applicants to pursue and successfully complete a four year degree course or postgraduate degree course as shown primarily by nationally recognized text scores and secondarily by grades obtained in high school or college prior to the application.
- The ability to gain admission to selective universities as shown by national recognition and ratio of admissions granted to applications submitted.
- The likelihood that the recipient is entering upon a course of study that would be of benefit to the citizens of W and the likelihood that the recipient might return to 4 after graduation.

Students must reapply each year. Such assistance and relief to any one student during the remainder of his or her education may be continued if the applicant continues to give evidence of the qualification which made the applicant worthy of assistance in the first place.

Members of the selection committee shall be compromised of X, or their designee, Y, or its designee, and Z. If a vacancy occurs by death, resignation, or refusal to serve, the vacancy shall be filled by the two remaining advisory committee members and if they cannot agree within thirty days, you shall break the tie.

Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

Scholarships are paid directly to an educational institution. Recipients will annually furnish the selection committee proof of full-time student status and proof of continuing enrollment. If enrollment is not maintained, the scholarship will be returned. Recipients provide grade reports to the selection committee. You will obtain reports on the use of funds and progress made by the scholarship recipient toward achieving the scholarship purpose.

You will maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.

- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements